

**SECRET**

SP/CEN 70-061  
6 April 1970

MEMORANDUM FOR THE RECORD

SUBJECT: Comments on Request For Conflict of Interest  
Review; Case of [REDACTED]

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1. I have read the request of [REDACTED]  
to have the General Consul review for possible conflict of  
interest certain factors related to the formation of a  
commercial corporation.

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2. I wish to submit the following comments for  
consideration:

a. In my opinion adequate isolation is not  
provided by the transfer of responsibility for  
the [REDACTED] service contract to  
the [REDACTED]. It is part of  
[REDACTED] direct responsibility to provide  
engineering services and engineering support to the  
Research Analysis people. In fact at this moment  
in time, Research Analysis does not have an engineer-  
ing capability in the field of digital and logic  
systems. It would place a heavy and unnecessary  
burden on the management of the [REDACTED]  
[REDACTED] to have these two sections attempt to work  
around possible future interpretation of this  
relationship in terms of conflict.

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b. It should also be remembered that one of  
the primary functions of the [REDACTED]  
[REDACTED] is to maintain an open channel in this field  
of engineering with the [REDACTED]  
and certain elements of the DDS&T/ORD. It should  
also be noted that the principals in this corporation  
are at this time under contract to the [REDACTED]  
[REDACTED]

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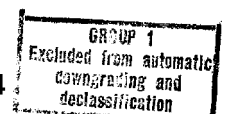
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[REDACTED]  
Chief, Special Support Center, OC-SPD

cc: [REDACTED]  
Chief, OC-SPD

OGC Has Reviewed

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6 April 1970

MEMORANDUM FOR: General Counsel

THROUGH : Director of Communications

FROM : [REDACTED] OC-SPD

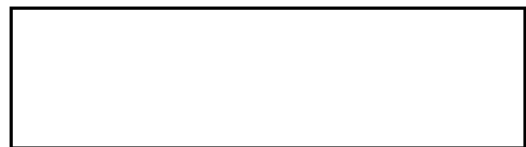
SUBJECT : Request for Review of Factors Related to  
a Potential Conflict of Interest; Case  
of [REDACTED]

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1. The undersigned requests an official opinion from the Office of General Counsel concerning a potential conflict of interest. This request is being submitted at the suggestion of the [REDACTED] Security Officer to insure that the proposed commercial activity does not violate Agency conflict of interest regulations.

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2. The attached statement outlines the arrangement that is to be reviewed. Your guidance in this matter will be appreciated.



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Att  
Statement of Intended  
Arrangement

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Attachment to: Request for General Counsel Review for  
Conflict of Interest; Case of [REDACTED]  
[REDACTED]

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BACKGROUND:

On or about 14 March 1970, [REDACTED]  
(OC-SPD/CEN) and two close friends ([REDACTED]  
[REDACTED] both Agency-cleared contractors for-  
merly with [REDACTED] decided to combine their  
collective abilities and form a commercial operation.  
This decision was the result of several months of pre-  
liminary discussions on this general subject.

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INTENT:

The primary objective of this corporation will be  
the eventual development of a commercially available line  
of electronic products. Since the three principals have  
specialized over the past few years in Digital Systems  
and Computers, this would be the expected direction of  
future efforts.

In the interim, however, it is anticipated that it  
would be highly desirable to obtain commercial and/or  
government special systems and/or interface contracts.

INITIAL SUPPORT:

The initial impetus for the forming of this group  
is to be found in a personal services contract assigned  
to the corporation through one of the principals, Mr.

[REDACTED] This contract, from [REDACTED]  
of [REDACTED], calls for [REDACTED] to provide  
maintenance services for both the [REDACTED]

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[REDACTED] This service  
is on systems originally manufactured by [REDACTED]  
[REDACTED].

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CONTRIBUTION OF PRINCIPALS:

The division of corporate responsibility and assigned stock will be on a 45-45-10 basis with [ ] receiving 10 percent of the issued corporate stock for a like investment in cash. 25X1A

In return, the two major principals will draw salary and other benefits for their day-to-day efforts in the development and expansion of this corporation. [ ] responsibility will be to serve where possible, without salary, and function as an interested consultant. 25X1A

As a normal practice, to prevent even a shadow of doubt concerning "conflict of interest", I will have to limit myself to discussion with the other principals only those technical areas and systems where all technical details are available to any interested observer. In addition, the normal security and propriety of internal future planning will be observed without exception.

POTENTIAL CONFLICT:

The potential "conflict of interest" centers on the previously mentioned [ ] service contract for the [ ] [ ] was the project engineer for this system during development and within his normal duties has coordinated maintenance support between [ ] and the Agency since delivery of the system. 25X1A 25X1A

This coordination could be performed by the user of the systems, thus removing any direct conflict. The user, although in the same staff and location, is operationally and administratively under separate control. The undersigned does, however, coordinate, recommend and receive recommendations for electronic systems from this user, thus the actual association is close but administratively separated.

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CONCLUSION:

It is the belief of the undersigned that it will be possible to maintain an independent posture while performing the minor duties within the corporation as previously outlined.

This disclosure is a sincere attempt by the undersigned to convey for evaluation the complete set of circumstances and is a true and accurate account, in all details, to the best of my knowledge.



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